

PUBLIC DISCLOSURE

February 4, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CHELSEA-PROVIDENT CO-OPERATIVE BANK

360 BROADWAY

CHELSEA, MA 02150

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Chelsea-Provident Co-operative Bank** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “Outstanding”

Chelsea-Provident Co-operative Bank was evaluated under the CRA Small Institution Examination Procedures including a review of the banks' average net loan to deposit ratio, its proportion of lending within the assessment area; the distribution of loans according to income of the borrower and according to the income of the census tract in which the property or business is located, and finally its fair lending performance.

Chelsea-Provident Co-operative Bank's net loan-to-deposit ratio has averaged 87.6 percent for the period March 31, 2001 to December 31, 2002. The ratio has fluctuated during the time period reviewed and stood at 82.1 percent as of December 31, 2002; the ratio demonstrates the bank's willingness to extend credit. This criterion was determined to exceed the standards for satisfactory performance.

Based on a review of loans originated in 2001 and 2002, approximately 57.1 percent of the bank's loans were originated inside the bank's assessment area. An additional review indicated the bank originated 32.9 percent of its total loans within the City of Chelsea, the location of the bank's only office. The bank is considered to meet the standards for satisfactory performance in this regard.

The distribution of loans to borrowers of different income levels demonstrates an excellent penetration among the various income levels in the assessment area. An analysis of mortgage originations inside the assessment area indicated that 44.2 percent of the total number of originations were granted to low and moderate-income borrowers. In addition, when compared to all other lenders in the assessment area, the bank's performance in lending to low and moderate-income borrowers exceeds that of all other HMDA reportable lenders in 2001. An additional analysis within the City of Chelsea was also conducted and portrays Chelsea-Provident Bank as one of the top lenders to low and moderate-income borrowers throughout the City of Chelsea. Based on the above facts as well as the facts presented in the following examination, Chelsea-Provident Co-operative Bank is considered to exceed the standards for satisfactory performance.

Based on the analysis of the geographic distribution of residential loans, the bank has successfully penetrated census tracts of different incomes and has dispersed loans in a manner consistent with the demographics of the assessment area. Chelsea-Provident Co-operative Bank's performance in this criterion is considered to exceed the standards for satisfactory performance.

A review of the bank's public comment file indicated that the bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, the bank's Fair Lending performance was found to be proactive and therefore was assigned a satisfactory rating.

PERFORMANCE CONTEXT

Description of Institution

Chelsea-Provident Co-operative Bank (Chelsea Provident) is a state chartered mutually owned community bank with one office located at 360 Broadway in downtown Chelsea. As of December 31, 2002, assets totaled \$36,598,000 of which 69.4 percent are in the form of net loans.

Refer to the following table for additional information on the breakdown of loans.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	\$ 19,896	77.3
Commercial Real Estate	\$ 2,651	10.3
Equity Lines of Credit	\$ 849	3.3
Consumer Loans	\$ 420	1.6
Construction and Land Development	\$ 1,929	7.5
Total Gross Loans	\$ 25,745	100

Source: December 31, 2002 Consolidated Report of Condition.

Chelsea Provident is primarily a residential lender with 77.3 percent of loans consisting of 1-4 family residential mortgages, followed by commercial real estate with 10.3 percent. The bank continues to sell loans on the secondary market. During the years under review (2001 and 2002), the bank sold 174 loans totaling \$28,359,234 to Freddie Mac. In addition, during the same time period, the bank sold 5 loans totaling \$818,750 to MassHousing and 2 loans totaling \$349,346 to the Federal Home Loan Bank-MPF. Chelsea Provident Bank utilizes Federal Home Loan Bank advances to fund much of its loan activity.

Chelsea Provident operates one full service office in downtown Chelsea. This office is located in a low-income census tract.

Chelsea Provident experiences strong competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: Metropolitan Credit Union, Carmel Credit Union, Broadway National Bank, Fleet Bank, Sovereign Bank, and Citizens Bank, as well as representatives of regional and national banking and mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2001 aggregate performance data indicates 305 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the bank's assessment area. Chelsea

Provident was not a HMDA reporter as of the examination; however, an analysis was performed to compare Chelsea Provident to all other lenders. Further information indicated there were 189 lenders that reported HMDA-related loans within the City of Chelsea.

There are no significant financial or legal impediments, which limit the bank's ability to help meet the credit needs of the community. The bank's most recent Community Reinvestment Act (CRA) evaluation, performed by the Federal Depositors Insurance Corporation (FDIC) as of September 30, 1998 assigned the institution a rating of "Outstanding". The previous evaluation performed by the Commonwealth of Massachusetts Division of Banks as of February 11, 1998 also assigned a rating of "Outstanding".

Description of Assessment Area

Chelsea Provident defines its assessment area as the cities of Chelsea, Revere, Everett, and the Town of Saugus.

According to the 1990 census data, the population of the bank's current assessment area was 132,746, of which 14.0 percent were minorities. The assessment area consists of 27 census tracts, of which 2 or 7.7 percent are low-income, 15 or 57.7 percent are moderate-income, and 9 or 34.6 percent are middle-income.

Please refer to the following table regarding housing characteristics.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
<i>Low</i>	7.4	4.3	4.5	1.4	7.0	7.4
<i>Moderate</i>	55.6	64.4	65.0	53.6	74.2	74.0
<i>Middle</i>	33.3	31.3	30.5	45.0	18.8	18.6
<i>NA</i>	3.7	-	-	-	-	-
<i>Total</i>	100	100	100	100	100	100

Source: 1990 U.S. Census

The median family income for the Boston MSA for 2001 and 2002 was \$70,000 and \$74,200, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between

80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Historically, the focus of Chelsea-Provident Co-operative Bank has been the City of Chelsea, and the bank continues to be a significant presence within that community. During the early 1900's, the City of Chelsea was placed under receivership by the Commonwealth of Massachusetts. With the assistance of local, state, and federal authorities, the receivership was lifted in the late 1990's and Chelsea began to feel the effects of an improving economy. However, despite the economic improvement, the City of Chelsea continues to remain as one of the poorest cities in the Commonwealth. The City of Chelsea is comprised of two low-income census tracts, three moderate-income census tracts, and one middle-income census tract.

According to the 1990 census data, the population of Chelsea was 28,710. Of this total, 21.5 percent of residents live below the poverty level, in comparison to the statewide average of 8.9 percent.

In addition to a lower median family income, Chelsea also exhibits low levels of owner-occupancy in its residential units. While 91 percent of all units are occupied, only 25 percent are considered owner-occupied. One to four family properties comprise 66 percent of the housing in Chelsea, with only 11.8 percent considered to be single family occupancy.

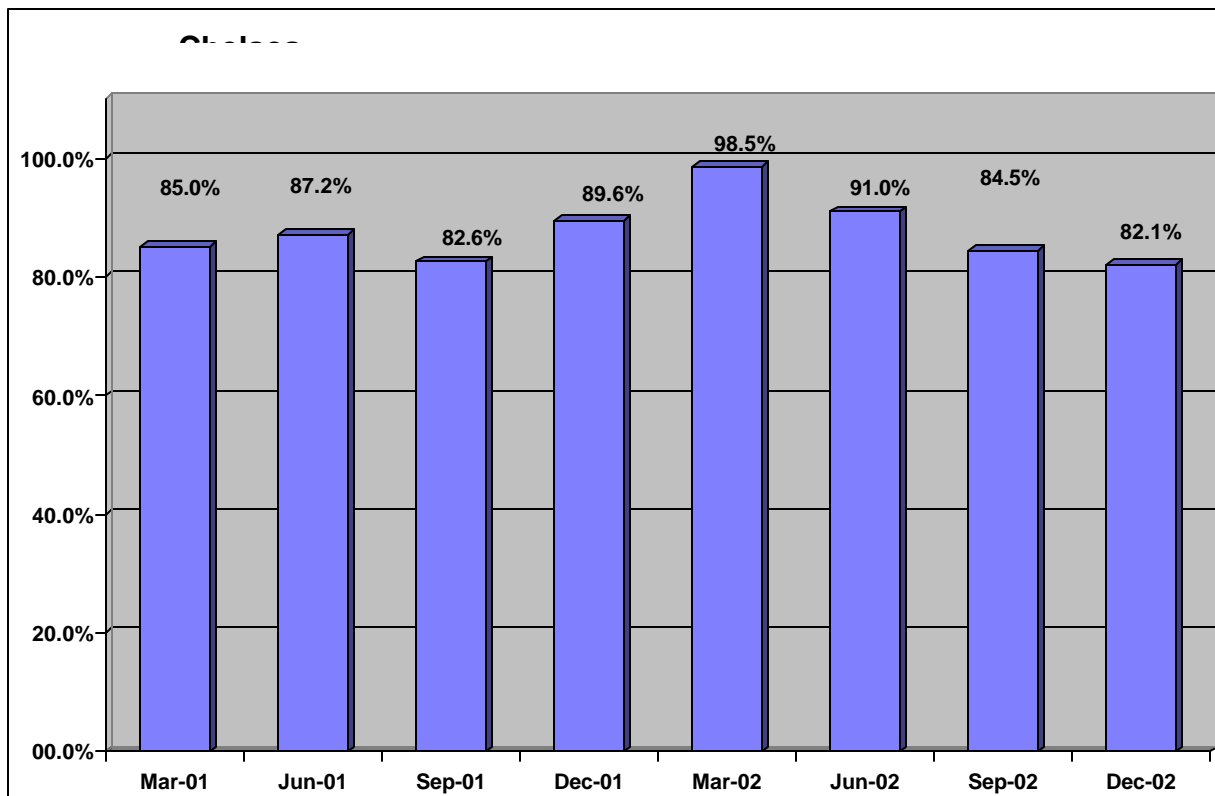
The largest ethnic group in the minority population throughout Chelsea is Hispanic, which in 1990, accounted for 31.4 percent of the total population.

During the recent economic decline, there has been a spike in the unemployment rate. As of September 30, 2002, the unemployment rate in the City of Chelsea was 8.2 percent, well above the state and national average.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Chelsea-Provident Co-operative Bank's net loan-to-deposit ratio was performed during the examination. The analysis utilized the last eight quarters of the Federal Deposit Insurance Corporation (FDIC) Call Report data for this institution. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's net loans to total deposits as reported to the FDIC were reviewed for the quarters beginning March 31, 2001 through December 31, 2002. The bank's average net loan to deposit ratio for this time period was determined to be 87.6 percent. The net loan-to-deposit ratio has fluctuated over the time period reviewed. The highest ratio occurred in March 31, 2002 with 98.5 percent, while the lowest ratio is December 31, 2002 at 82.1 percent. The asset size of the institution has increased from \$29,160,000 as of March 31, 2001, to \$36,598,000 as of December 31, 2002, which represents a 25.5 percent increase. Deposit growth has outpaced loan growth during this time period. Deposits increased approximately 20.7, while net loans increased approximately 16.7 percent. The following graph depicts the net loan-to-deposit ratio for each quarter under review.



Chelsea Provident utilizes Federal Home Loan Bank advances to supplement its deposits. This method assists the bank in funding its substantial lending activity and

also enables the institution to aggressively grant loans and remain competitive with other area institutions.

Chelsea Provident's net loan to deposit ratio was compared to the ratios of three other area institutions. These institutions all have a physical presence in Chelsea with Broadway National Bank located directly across from the bank's only office. These ratios are as of September 30, 2002.

Please refer to the following table for more details.

Institution	Net Loan-To-Deposit Ratio
Chelsea-Provident Co-operative Bank	84.5%
Metropolitan Credit Union	77.7%
Broadway National Bank	53.9%
Carmel Credit Union	49.4%

Based on the above information and Chelsea-Provident Co-operative Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's net loan to deposit ratio is considered to exceed the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Chelsea-Provident Co-operative Bank's 2001 and 2002 HMDA/Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. Although Chelsea Provident was not required to submit a HMDA/LAR for the time period covered, management did maintain a hand written LAR containing loan information on transactions that would be considered HMDA reportable. During this period, the bank originated 310 residential loans totaling approximately \$43,206,000. Of these loans, 177 or 57.1 percent were originated inside the bank's assessment area totaling \$20,776,000 or 48.1 percent.

Refer to the following table for additional information regarding the bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollars in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2001	68	57.6	6,650	45.8	50	42.4	7,865	54.2
2002	109	56.8	14,126	49.2	83	43.2	14,565	50.8
Total	177	57.1	20,776	48.1	133	42.9	22,430	51.9

Source: Internal Records

As indicated in the table above, the majority of loans originated during the examination period were inside the bank's assessment area.

The City of Chelsea accounted for the largest proportion of loan originations with 102 loans or 32.9 percent totaling \$9,358,000 or 21.7 percent of the dollar amount originated by the bank during the period reviewed. As mentioned in the performance context, lending opportunities within Chelsea appear to be limited due to the low owner-occupancy rates and the high number of rental units. However, Chelsea Provident has made a sizeable number of loans within the city.

Although Chelsea Provident is not required to report under the Home Mortgage Disclosure Act it does maintain a Loan Application Register (LAR), similar to a HMDA LAR. This LAR was used to evaluate the bank's lending and to compare it to other institutions. During 2001, had the bank been a HMDA-reporter, it would have ranked seventh within Chelsea with respect to residential lending. Overall, there were 189 total lenders who originated/purchased HMDA reportable loans within the City of Chelsea during calendar year 2001. The bank's lending volume increased significantly from 2001 to 2002, mostly due to refinances as a result of low interest rates. The bank experienced a 62.7 percent increase of the number of loans during 2002.

Based on the above information, the bank's extension of credit inside the assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston, MA Metropolitan Statistical Areas (MSA). The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

The following tables show, by number and dollar amount, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of households within the assessment area in each respective income group.

Distribution of Residential Loans Within the Assessment Area to Borrowers of Different Income Levels by Number								
Borrower Income Level	Total Households		2001		2002		Total	
	#	%	#	%	#	%	#	%
< 50%	17,091	33.0	8	11.8	20	18.4	28	15.8
50 – 79%	9,625	18.6	22	32.4	38	34.9	60	33.9
80 – 119%	10,672	20.7	26	38.2	31	28.4	57	32.2
> = 120%	14,329	27.7	12	17.6	20	18.3	32	18.1
Total	51,717	100	68	100	109	100	177	100

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

Distribution of Residential Loans Within the Assessment Area to Borrowers of Different Income Levels by Dollar Amount								
Borrower Income Level	Total Households		2001		2002		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	17,091	33.0	495	7.4	1,281	9.1	1,776	8.6
50 – 79%	9,625	18.6	1,815	27.3	4,196	29.7	6,011	28.9
80 – 119%	10,672	20.7	2,807	42.2	4,866	34.4	7,673	36.9
> = 120%	14,329	27.7	1,533	23.1	3,783	26.8	5,316	25.6
Total	51,717	100	6,650	100	14,126	100	20,776	100

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

As the above table indicates, the bank extended 28 loans to low-income borrowers representing 15.8 percent of total loans within the assessment area. These loans represent 8.6 percent by dollar amount of the total loans originated within the assessment area during this period. Although these numbers fall below the 33.0 percent of low-income households within the assessment area, they represent a significant percentage of lending to individuals in this income group. The ability to lend to individuals in the low-income category is mitigated by the percentage living well below the poverty level for whom home ownership opportunities are limited.

The bank extended 60 loans to moderate-income borrowers, representing 33.9 percent by number inside the assessment area. These loans also represent 28.9 percent by dollar amount of the bank's total originations and purchases within its assessment area. The number and dollar volume of loans are well above the 18.9 percent of moderate-income households within the assessment area.

A further analysis was conducted to determine how Chelsea Provident's loan originations were dispersed by the income of the borrower throughout the City of Chelsea. Refer to the following tables for more information.

Distribution of Residential Loans Within the City of Chelsea to Borrowers of Different Income Levels by Number								
Borrower Income Level	Total Households		2001		2002		Total	
	#	%	#	%	#	%	#	%
< 50%	4,811	45.7	7	15.9	15	25.9	22	21.6
50 – 79%	1,673	15.9	14	31.8	27	46.5	41	40.2
80 – 119%	1,558	14.8	17	38.6	11	19.0	28	27.4
> = 120%	2,484	23.6	6	13.7	5	8.6	11	10.8
Total	10,526	100.	44	100	58	100	102	100

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

Distribution of Residential Loans Within the City of Chelsea to Borrowers of Different Income Levels by Dollar Amount								
Borrower Income Level	Total Households		2001		2002		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
< 50%	4,811	45.7	412	12.1	796	13.4	1,208	12.9
50 – 79%	1,673	15.9	902	26.4	2,864	48.2	3,766	40.2
80 – 119%	1,558	14.8	1,512	44.2	1,217	20.5	2,729	29.2
> = 120%	2,484	23.6	592	17.3	1,063	17.9	1,655	17.7
Total	10,526	100	3,418	100	5,940	100	9,358	100

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

As the above tables indicate, the bank's lending distribution within the City of Chelsea has been concentrated in low and moderate-income categories. The bank extended 22 loans to low-income borrowers representing 21.6 percent of total loans within Chelsea. These loans represent 12.9 percent, by dollar amount, of the total loans originated within the assessment area during this period.

The bank extended 41 loans to moderate-income borrowers, representing 40.2 percent by number within Chelsea. These loans also represent 40.2 percent by dollar amount of the bank's total originations and purchases within Chelsea. The number and dollar volume of loans are well above the 15.9 percent of moderate-income households within the assessment area.

The distribution of the bank's loans among various borrower income levels may also be compared to that of all HMDA-reporting lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banks, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2001.

The following table shows the bank's distribution of loans among various income levels compared to that of all other 305 HMDA-reportable lenders for calendar year 2001 throughout the bank's entire assessment area.

Distribution of HMDA Reportable Loans – Entire Assessment Area Chelsea-Provident Co-operative Bank Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	Chelsea Provident Bank		All Other Reporters		Chelsea Provident Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	8	11.8	452	5.2	495	7.4	44,256	3.0
Moderate	22	32.4	2,033	23.3	1,815	27.3	291,481	19.5
Middle	26	38.2	2,667	30.5	2,807	42.2	452,196	30.2
Upper	12	17.6	1,977	22.6	1,533	23.1	378,020	25.3
NA	0	0.0	1,612	18.4	0	0.0	329,350	22.0
Total	68	100	8,741	100	6,650	100	1,495,303	100

Source: HMDA LAR, 2001 HMDA Aggregate Data

As shown above, the bank's percentage of lending to borrowers of low-income is well above the aggregate by number and dollar amount for 2001. Chelsea Provident originated 11.8 percent by number and 7.4 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 5.2 percent by number and 3.0 percent by dollar amount.

Residential loans to moderate-income borrowers accounted for 32.4 percent by number and 27.3 percent by dollar amount within the assessment area. Both number and dollar amount are also above the aggregate at 23.3 percent and 19.5 percent, respectively.

A further analysis was conducted throughout the City of Chelsea since the bank's only branch and all low-income census tracts are located within Chelsea. This analysis specifically compared Chelsea-Provident's lending in 2003 within the City of Chelsea to HMDA aggregate lenders within the City.

Distribution of HMDA Reportable Loans in the City of Chelsea Chelsea-Provident Co-operative Bank Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	Chelsea Provident Bank		All Other Reporters		Chelsea Provident Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	7	15.9	71	5.4	412	12.1	7,355	3.5
Moderate	14	31.8	372	28.3	902	26.4	52,181	25.0
Middle	17	38.6	401	30.5	1,512	44.2	65,544	31.3
Upper	6	13.7	227	17.3	592	17.3	42,421	20.3
NA	0	0.0	244	18.5	0	0.0	41,666	19.9
Total	44	100.0	1,315	100.0	3,418	100.0	209,167	100.0

Source: HMDA LAR, 2001 HMDA Aggregate Data

Again, Chelsea Provident's percentage of lending to borrowers of low-income is well above the aggregate by number and dollar amount for 2001. Chelsea Provident originated 15.9 percent by number and 12.1 percent by dollar amount of the total loans

within the assessment area to low-income borrowers, compared to the aggregate with 5.4 percent by number and 3.5 percent by dollar amount.

Residential loans originated during 2001 to moderate-income borrowers accounted for 31.8 percent by number and 26.4 percent by dollar amount within the City of Chelsea. Both number and dollar amount are slightly above the aggregate with 28.3 percent and 25.0 percent, respectively.

As mentioned above, Chelsea Provident was not required to report HMDA during 2001, however an analysis was performed to determine how the bank's originations compare to all other lenders within the assessment area. During 2001, the most recent data available, Chelsea-Provident Co-operative Bank ranked 2nd in lending to low-income borrowers in the City of Chelsea and ranked 7th in lending to moderate-income borrowers. Overall, the bank ranked as the number four lender to low and moderate-income borrowers throughout the assessment area. This ranking is considered to be excellent given the size and resources of the bank. The distribution of HMDA-reportable loans by borrower income demonstrates the bank's willingness to lend to borrowers of all income levels, especially those of low and moderate-income.

Based on the information above, the bank's lending to borrowers of different income levels, especially those of low and moderate-income, constitutes an excellent performance. Therefore, Chelsea-Provident Co-operative Bank is considered to exceed the standards for satisfactory performance under the distribution of credit among borrowers of different income levels.

4. GEOGRAPHIC DISTRIBUTION

Residential loans located within the bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of six census tracts: two designated as low-income, three designated as moderate-income, and one located as middle-income.

The following tables provide a breakdown, by number and dollar amount, of the bank's residential loans within its assessment area according to the census tract income level. The tables also show the loans in comparison to the number of owner-occupied housing units in each of the census tract income categories.

Distribution of Residential Loans Within the Assessment Area by Census Tract Income Level by Number								
Census Tract Income Level	Owner-Occupied Properties		2001		2002		Total	
	#	%	#	%	#	%	#	%
Low	346	1.4	6	8.8	13	11.9	19	10.7
Moderate	13,254	53.6	45	66.2	50	45.9	95	53.7
Middle	11,122	45.0	17	25.0	46	42.2	63	35.6
Total	24,722	100.0	68	100.0	109	100.0	177	100.0

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

Dollar Volume of Residential Loans Within the Assessment Area by Census Tract Income Level								
Census Tract Income Level	Owner-Occupied Properties		2001		2002		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Low	346	1.4	672	10.1	2,356	16.7	3,028	14.6
Moderate	13,254	53.6	3,791	57.0	4,104	29.0	7,895	38.0
Middle	11,122	45.0	2,187	32.9	7,666	54.3	9,853	47.4
Total	24,722	100	6,650	100	14,126	100	20,776	100

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

During 2001 and 2002, the bank extended 19 loans within low-income census tracts representing 10.7 percent of total loans within the assessment area. These loans represent 14.6 percent of the dollar amount of loans originated within the assessment area during this period. These numbers exceed the percentage of owner-occupied properties in low-income census tracts. Further, the bank made 95 loans in moderate-income census tracts, which represent 53.7 percent of the number of loans granted in moderate-income census tracts. This distribution is almost identical to the 53.6 percent of owner-occupied properties falling within moderate-income census tracts

A further analysis was conducted throughout the City of Chelsea to determine the distribution by census tract income level within Chelsea. Refer to the following tables for information regarding Chelsea Provident Co-operative Bank's lending throughout different census tracts.

Distribution of Residential Loans Within the City of Chelsea by Census Tract Income Level by Number								
Census Tract Income Level	Owner-Occupied Properties		2001		2002		Total	
	#	%	#	%	#	%	#	%
Low	2,493	11.7	6	13.6	13	22.4	19	18.6
Moderate	8,302	80.5	37	84.1	45	77.6	82	80.4
Middle	779	7.8	1	2.3	0	0.0	1	1.0
Total	11,574	100	44	100	58	100	102	100

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

Dollar Volume of Residential Loans Within the City of Chelsea by Census Tract Income Level								
Census Tract Income Level	Owner-Occupied Properties		2001		2002		Total	
	#	%	\$ (000)	%	\$ (000)	%	\$ (000)	%
Low	2,493	11.7	672	19.7	2,356	39.7	3,028	32.4
Moderate	8,302	80.5	2,591	75.8	3,584	60.3	6,175	66.0
Middle	779	7.8	155	4.5	0	0.0	155	1.6
Total	11,574	100	3,418	100	5,940	100	9,358	100

Source: Internal LAR Data for the period 1/1/01 to 12/31/02

During 2001 and 2002, the bank extended 19 loans within low-income census tracts of Chelsea representing 18.6 percent of total loans within the assessment area. These loans represent 32.4 percent by dollar amount, of the total loans originated within the assessment area during this period. These numbers also exceed the percentage of owner-occupied properties falling in low-income census tracts. Further, the bank made 80 percent of its loans in moderate-income census tracts in Chelsea, which is consistent with the distribution of owner-occupied properties in Chelsea.

The geographic distribution of the bank's loans by census tract category may also be compared to that of all HMDA reporting lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2001 and is presented in the following table.

Lending Within the Assessment Area by Census Tract Income Level Chelsea-Provident Co-operative Bank Compared to All Other HMDA Reporters								
Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Chelsea Provident Bank		All Other Reporters		Chelsea Provident Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	6	8.8	234	2.7	672	10.1	35,227	2.4
Moderate	45	66.2	4,741	54.2	3,791	57.0	785,368	52.5
Middle	17	25.0	3,766	43.1	2,187	32.9	674,708	45.1
Total	68	100	8,741	100	6,650	100	1,495,303	100

Source: HMDA/LAR Data for the period 1/1/01 to 12/31/01.

In 2001, the bank extended 6 loans in low-income census tracts representing 8.8 percent by number and 10.1 percent by dollar amount. This is considered excellent when compared to the aggregate with 2.7 percent by number and 2.4 percent by dollar volume of originations in low-income census tracts. In addition, the bank extended 45 loans in moderate-income census tracts representing 66.2 percent by number and 57.0 percent by dollar amount. The distribution of loans in moderate-income census tracts is also above the aggregate, which originated 54.2 percent by number and 52.5 percent by dollar volume throughout the entire assessment area.

A further analysis was conducted for the City of Chelsea since the bank's only branch and all low-income census tracts are located within Chelsea. The following table presents information on Chelsea Provident Co-operative Bank's lending within census tracts in Chelsea only.

Lending Within the City of Chelsea by Census Tract Income Level Chelsea-Provident Co-operative Bank Compared to All Other HMDA Reporters								
Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Chelsea Provident Bank		All Other Reporters		Chelsea Provident Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	6	13.6	234	17.8	672	19.7	35,227	16.9
Moderate	37	84.1	933	70.9	2,591	75.8	151,067	72.2
Middle	1	2.3	148	11.3	155	4.5	22,873	10.9
Total	44	100	1,315	100	3,418	100	209,167	100

Source: HMDA/LAR Data for the period 1/1/01 to 12/31/01.

In 2001, the bank extended 6 loans in low-income census tracts representing 13.6 percent by number and 19.7 percent by dollar amount. While the percentage of the number of loans is somewhat below the aggregate, which has 17.8 percent by number; it exceeds the aggregate in the dollar amount of loans which had made 16.9 percent of

dollar volume of originations in low-income census tracts. The bank extended 37 loans in moderate-income census tracts representing 84.1 percent by number and 75.8 percent by dollar amount. The originations in moderate-income census tracts is slightly above the aggregate which originated 70.9 percent by number and 72.2 percent by dollar volume within the moderate-income census tracts of Chelsea.

As mentioned previously, Chelsea Provident was not required to report under HMDA during 2001, however an analysis was performed to determine how the bank's originations compare to HMDA lenders within the assessment area. During 2001, the most recent data available, Chelsea-Provident Co-operative Bank ranked 7th in market share for lending within low-income census tracts throughout the City of Chelsea, and ranked 4th in market share for lending within moderate-income census tracts. Overall, the bank ranked as the number six-lender within low and moderate-income census tracts throughout the assessment area for 2001. The top three lenders include Fleet Bank, Washington Mutual Bank, and Citizens Mortgage Corporation.

Based on the analysis of the geographic distribution of HMDA-reportable loans, the bank has successfully penetrated census tracts of different incomes and has dispersed loans in a manner consistent with the demographics of the assessment area. Chelsea-Provident Co-operative Bank's performance in this criterion is considered to exceed satisfactory standards.

5. FAIR LENDING POLICES AND PRACTICES

A review of the bank's public comment file indicated that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

Chelsea-Provident Co-operative Bank has a written Fair Lending Policy, which is incorporated as part of its Loan Policies. Included in this policy are the bank's efforts to eliminate discrimination in all aspects of credit and lending as well as to provide guidance to bank employees on how to comply with fair lending policies and procedures.

Despite a small staff, employees have attended various training classes pertaining to the Community Reinvestment Act. The bank's internal training includes the use of videotapes, internal seminars, and discussions at monthly meetings. CRA training is an on-going program conducted for every employee of the bank.

The bank's staff volunteers their time to a variety of area organizations in need of their training and expertise. The bank markets its services and products to the community through a variety of media, with the majority focusing on print advertisements. Seminars are also conducted in order to make potential customers aware of the services the bank provides.

Based upon the above factors, Chelsea-Provident Co-operative Bank's fair lending performance is found to be satisfactory.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CHELSEA-PROVIDENT CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **FEBRUARY 4, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.